

**CHAPTER NO. 507**

**SENATE BILL NO. 3376**

**By Crutchfield, Dixon, Burks**

**Substituted for: House Bill No. 3520**

**By McMillan**

AN ACT to amend Tennessee Code Annotated, Title 56, Chapter 51, Part 1 and Title 56, Chapter 32, Part 2, relative to the regulation of Prepaid Limited Health Services Organizations and Health Maintenance Organizations.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 56-51-151, is hereby amended by deleting the language contained therein and substituting the following:

Any acquisition of, control of, merger, or change of control of a prepaid limited health service organization shall be subject to the provisions of Title 56, Chapter 11. For purposes of this section, the term "control" shall have the same meaning as that provided in § 56-11-201(b)(3).

SECTION 2. Tennessee Code Annotated, Title 56, Chapter 51, Part 1, is amended by adding the following as a new section:

Section \_\_\_\_\_. Holding Company Regulation

The Insurance Holding Company System Act of 1986, as amended, codified at Title 56, Chapter 11, shall be applicable to prepaid limited health service organizations to the extent provided therein to health maintenance organizations.

SECTION 3. Tennessee Code Annotated, Section 56-51-109, is amended by deleting the citation "56-51-114," as contained therein.

SECTION 4. Tennessee Code Annotated, Section 56-51-134(d)(1), is amended by deleting the language contained therein and substituting the following:

(1) A financial statement prepared in accordance with statutory accounting principles;

SECTION 5. Tennessee Code Annotated, Section 56-51-106, is amended by designating the current language as subsection (a) and the following new language as subsection (b):

The applicant shall meet the network adequacy requirements established pursuant to § 56-7-2356.

SECTION 6. Tennessee Code Annotated, Section 56-51-139 (a), is amended by adding the following language as a new enumerated subpart:

The prepaid limited health service organization has filed with the department sworn financial statements which contain material omissions or errors.


SECTION 7. Tennessee Code Annotated, Section 56-32-216 (a), is amended by adding the following as a new enumerated subpart:

The health maintenance organization has filed with the department sworn financial statements which contain material omissions or errors.

SECTION 8. This act shall take effect upon becoming law, the public welfare requiring it.

**PASSED: March 31, 2004**

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

**APPROVED this 12<sup>th</sup> day of April 2004**

  
PHIL BREDESEN, GOVERNOR